

Message Text

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ACTION AF-06

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FM AMCONSUL CAPE TOWN

TO SECSTATE WASHDC 4601

INFO AMEMBASSY PARIS

AMEMBASSY PRETORIA

AMCONSUL CASABLANCA

AMCONSUL DURBAN

AMCONSUL JOHANNESBURG

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CASABLANCA FOR RCAA

REF: CAPE TOWN 473; PRETORIA 1408 (NOTAL)

1. SUMMARY: GE REPS CALLED ON CHARGE TO EXPLORE POSSIBILITY OF CHANGE IN POLICY WHICH WOULD PERMIT EXIM DIRECT LOAN PARTICIPATION IN FINANCING SALE OF ENGINES AS PART OF MCDONNELL-DOUGLAS DC-10 PROPOSAL IN CURRENT COMPETITION FOR SALE OF CIVIL AIRCRAFT IN SOUTH AFRICA. GE ALSO PARTICIPATING SEPARATELY IN A-300B EUROPEAN AIRBUS PROPOSAL. END SUMMARY.

2. BRYAN ROWE, VP GENERAL ELECTRIC TURBINE JET ENGINE DIVISION, AND JOHANNESBURG GE REP THOMAS TUCKER, CALLED ON CHARGE APRIL 25 TO DISCUSS GE INTEREST IN CURRENT SAA CIVIL AIRCRAFT SALES COMPETITION.

MORE PARTICULARLY, THEY WANTED TO ASCERTAIN WHETHER THERE IS ANY POSSIBILITY THAT USG POLICY MIGHT BE AMENDED TO PERMIT EXIM BANK PARTICIPATION IN DIRECT LOAN FINANCING OF GE ENGINES FOR THE MCDONNELL-DOUGLAS DC-10. CALL ON CHARGE WAS SCHEDULED TO PRECEDE APPOINTMENT LATER IN MORNING WITH RAILWAYS GENERAL

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MANAGER J.G.H. LOUBSER.

3. ROWE EXPLAINED

THAT GE, WORKING WITH THE AIRFRAME MANUFACTURERS, WOULD PARTICIPATE IN TWO SEPARATE PROPOSALS, I.E., WITH MCDONNELL-DOUGLAS FOR THE DC-10, AND WITH AEROSPATIALE FOR THE A-33 AIRBUS. THE INITIAL VALUE OF THE ENGINES FOR EACH AIRCRAFT IS ABOUT 20 PER CENT, EVEN THOUGH THE DC-10 HAS THREE AND THE AIRBUS ONLY TWO. OVER THE FIRST 10 YEARS, HOWEVER, THE ENGINE VALUE OF EACH AIRCRAFT SALE COMES TO 40 PER CENT BECAUSE OF SPARES AND REPLACEMENTS.

4. GE ENGINES FOR THE AIRBUS CONTAIN 40 PER CENT EUROPEAN CONTENT AS PART OF AN OFFSET AGREEMENT AND GE APPRECIATES THERE IS NO POSSIBILITY OF EXIM PARTICIPATION IN THE AIRBUS PROPOSAL.

5. IN RAISING QUESTION OF POSSIBLE EXIM LOAN SUPPORT FOR DC-10, ROWE AND TUCKER SAID THEY WERE WORKING WITH COMMERCIAL BANKS ON FINANCING PLAN BUT BELIEVED PROPOSAL COULD BE MADE MUCH MORE COMPETITIVE WITH EXIM PARTICIPATION. IN SAME CONTEXT, TUCKER REVIEWED BRIEFLY GE NEED FOR ADDITIONAL EXIM SUPPORT TO COMPETE SUCCESSFULLY IN RAPIDLY GROWING SOUTH AFRICAN MARKET FOR VARIETY OF POWER GENERATION EQUIPMENT, AND MOST IMPORTANTLY TO WIN CONTRACT FOR GE-BROWN BOVERI CONSORTIUM FOR NUCLEAR POWER STATION AT KOEBERG (PRETORIA 1408).

6. IN DISCUSSING CURRENT US POLICY ON DIRECT EXIM LOANS TO SOUTH AFRICA, CHARGE SAID THIS WAS OBVIOUSLY SUBJECT TO CONTINUING REVIEW BUT HE COULD OFFER NO ENCOURAGEMENT THAT IT WOULD BE CHANGED AT PRESENT TIME.
EDMONDSON

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